

**CUSC Workgroup Consultation Response Proforma****CMP332: Transmission Demand Residual bandings and allocation (TCR)**

Industry parties are invited to respond to this consultation expressing their views and supplying the rationale for those views, particularly in respect of any specific questions detailed below.

Please send your responses to [cusc.team@nationalgrideso.com](mailto:cusc.team@nationalgrideso.com) by **5pm on 27 February 2020**. Please note that any responses received after the deadline or sent to a different email address may not receive due consideration by the Workgroup.

If you have any queries on the content of this consultation please contact Paul Mullen at [paul.j.mullen@nationalgrideso.com](mailto:paul.j.mullen@nationalgrideso.com) or [cusc.team@nationalgrideso.com](mailto:cusc.team@nationalgrideso.com).

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**For reference the applicable CUSC objectives are:**

- a. *That compliance with the use of system charging methodology facilitates effective competition in the generation and supply of electricity and (so far as is consistent therewith) facilitates competition in the sale, distribution and purchase of electricity;*
- b. *That compliance with the use of system charging methodology results in charges which reflect, as far as is reasonably practicable, the costs (excluding any payments between transmission licensees which are made under and accordance with the STC) incurred by transmission licensees in their transmission businesses and which are compatible with standard licence condition C26 requirements of a connect and manage connection);*
- c. *That, so far as is consistent with sub-paragraphs (a) and (b), the use of system charging methodology, as far as is reasonably practicable, properly takes account of the developments in transmission licensees' transmission businesses;*
- d. *Compliance with the Electricity Regulation and any relevant legally binding decision of the European Commission and/or the Agency. These are defined within the National Grid Electricity Transmission plc Licence under Standard Condition C10, paragraph 1 \*; and*
- e. *Promoting efficiency in the implementation and administration of the CUSC arrangements.*

*\*Objective (d) refers specifically to European Regulation 2009/714/EC. Reference to the Agency is to the Agency for the Cooperation of Energy Regulators (ACER).*

**Please express your views regarding the Workgroup Consultation in the right-hand side of the table below, including your rationale.**

Standard Workgroup Consultation questions		
1	Do you believe that the CMP332 Original Proposal better facilitates the Applicable CUSC Objectives?	Yes
2	Do you support the proposed implementation approach?	No
3	Do you have any other comments?	<p>We would like to highlight our concerns that the direction sets out an extremely challenging timetable to design, consult, approve and implement CMP332 for the April 2021/22 charging year. We feel that this approach may lead to a sub-optimal charging methodology due to insufficient time to work through the options.</p> <p>E.ON feels that such a fundamental change to the transmission charging methodology should be given careful consideration, particularly against a backdrop of other significant industry changes which may be overlooked due to insufficient time to ensure a joined-up approach. This may lead to unforeseen adverse impacts on transmission charging both before and after the TCR implementation.</p> <p>NGESO highlighted similar concerns in its open delivery plan letter to Ofgem on 20<sup>th</sup> December 2019, suggesting that the approach to meet April 2021/22 is 'high risk' by its nature in addition to the challenges the direction poses to wider industry. E.ON shares these concerns, therefore we believe that the implementation approach for all TCR reforms in April 2022/23 would be better for consumers and industry as a whole. E.ON believes that the customer detriment of waiting one year is negligible as Ofgem have not included the risk and associated cost of setting tariffs before network charges are finalised in their impact assessment.</p>
4	Do you wish to raise a Workgroup Consultation	No comment.

	Alternative Request for the Workgroup to consider?	
<b>Specific CMP332 Workgroup Consultation questions</b>		
5	Based on the mapping table in Annex 6, does the proposed CMP332 solution deliver Ofgem's TCR SCR Direction? Please identify any areas you believe need to be addressed.	<p>We believe that annex 6 delivers the requirements for delivering the TCR direction.</p> <p>We note that data requirements are TBC which has potential to add complexities as source data could be required from other sources not currently defined, for example data from meter point administrators could require a consequential change to the Master Registration Agreement or directly from DNO's.</p>
6	CMP332 solution proposes to have one Transmission Band for the demand residual charge. Do you agree, if not what do you suggest instead, and why?	<p>We support a single Transmission band for the demand residual charge, on the basis that the analysis shows that there is so few final demand transmission sites, based on the Annex 5 TDR analysis.</p> <p>We feel that the findings maybe a consequence of the limited data available to determine final demand sites, as well as assumptions on both 'site' and 'final demand' definitions that have yet to be determined through CMP 334. Therefore, we believe that there is the possibility that further data analysis could result in a future change of position that warrants a requirement for a split in the Transmission demand Residual charge banding.</p>
7	The TCR SCR Direction specifies that 24 months of data is required to allocate the customers to charging bands. The Original solution (for CMP332) proposes to use a standard 12 months period for all. What period of historical data do you think is required for setting the bands, and why?	<p>We believe 24 months of historical data should be used to allocate customers into charging bandings wherever the data is available.</p> <p>We note that the direction sets out that a process must be established for new customers and customers lacking the appropriate data to allocate customers into bandings. Therefore 12 months of data for all banding allocations should not be taken forward as it does not comply with the direction. However, we do feel there maybe some merit in using 12 months data within establishing the data requirements where 24 months data is not available.</p> <p>We believe that the direction is clear in this regard and therefore there is a duty to comply with the direction as it is set out.</p>

8	<p>If there is any revenue under/over recovery due to the differences between the initial allocation of charging bands vs the outturn of such bands, how should this amount be recovered/rebated?</p>	<p>We believe that the only viable option in the short term is to use the K-factor cost recovery process, as we anticipate that banding allocations will require some time to bed in post implementation, which are likely to create cost recovery issues over the April 2021/22 charging year.</p> <p>We feel that it is implied in the TCR direction that each consumer should pay its fair share of the residual charges, therefore it's E.ON's opinion that any under or over recovery of charges should be re-allocated from and to the charging bandings that have created cost recovery issues. We recognise that this cannot be a consideration as part of CMP332 until confidence is restored with the accuracy of TNUoS forecasts so can only be revisited in future charging years.</p>
9	<p>Should we use Measurement Classes rather than "No MIC" or "MIC" to determine initial grouping for the charging bands at low voltage, and why?</p>	<p>We believe that using the Measurement Class removes any ambiguity, in so far as it underpins Capacity is chargeable or not in distribution networks charging statements, as terminology in the TCR direction has caused ambiguity as to whether banding allocations are based on Maximum import capacity, or agreed supply capacity etc.</p> <p>We believe that the use of Measurement Class ensures that where capacity is chargeable for DUoS, sites do not get allocated into the "LV no MIC" charging banding for TNUoS purposes, as well as ensuring alignment with DNO's initial banding allocations.</p> <p>We believe that the Measurement Class is an existing registration data item and underpins how the LLFC's are allocated at LV level, therefore lends itself as a suitable item to initially group LV into charging banding.</p>
10	<p>Should UMS be included in the banding structure (e.g. LV no MIC) or charged separately on a volumetric basis?</p>	<p>We believe that UMS should be charged separately on a volumetric basis. In principle unmetered supply arrangements cannot avoid its associated network costs due to the consumption profiles, or HH consumption data being calculated and provisioned for within the associated BSC settlement arrangements.</p> <p>We believe that including UMS in any bandings associated to metered consumption could distort the bandings allocations generally, this in turn push</p>

		<p>metered sites into the higher percentile allocations as Unmetered supplies largely consume externally low volumes of electricity.</p> <p>In our opinion TNUoS banding allocations should be consistent with the DUoS charging arrangements wherever possible in order to minimize complexity in the future. In accordance with approved DCUSA modification DCP 268 'DUoS Charging Using HH settlement data' DUoS tariff arrangements will be allocated to a single UMS tariff from April 2021. Therefore, we recommend that the consistency should be moved forward through ensuring both DUoS &amp; TNUoS UMS residual is allocated as a volumetric charge.</p>
11	Do you have any thoughts on any of the suggested options and/or do you believe there any other options for the Workgroup to consider?	<p>E.ON believes that there needs to be further consideration given as to how de-energised sites should be treated under the charging methodology.</p> <p>The current volumetric based TNUoS charging arrangements results in de-energised sites not contributing to network costs which we believe is fair due to de-energised sites not adding further network costs, despite maintaining a connection.</p> <p>However, the CMP332 methodology, development has not recognised that a de-energised site exists only as a connection. We are concerned that these could be captured within the site count within the initial banding allocations and consequently, become liable for TNUoS despite not actually using the network.</p> <p>E.ON believes that the CMP332 workgroup should consider how the charging methodology treats de-energised sites and specify what charges they are liable for and consider how any changes to the energisation status of a site would be catered for within the enduring charging arrangements.</p>